



News Release

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IRS RELEASES NEW FORM 8873, "EXTRATERRITORIAL INCOME EXCLUSION"

WASHINGTON—The Internal Revenue Service has released Form 8873, "Extraterritorial Income Exclusion." This form is used to calculate the amount excluded from a taxpayer's gross income for certain transactions that generate foreign trading gross receipts. Form 8873 is attached to the taxpayer's income tax return. Both corporate and non-corporate taxpayers who have qualifying transactions may now be required to file Form 8873.

The exclusion reported on Form 8873 was created by the Foreign Sales Corporation (FSC) Repeal and Extraterritorial Income Exclusion Act of 2000. The new exclusion applies to certain transactions entered into after September 30, 2000, but is subject to transition rules for foreign corporations with a valid FSC election in effect on September 30, 2000.

In general, foreign trading gross receipts include gross receipts from the sale, exchange, lease, rental, or other disposition of qualifying foreign trade property. Foreign trading gross receipts also include receipts from certain services provided in connection with such property, as well as engineering and architectural services for construction projects outside the United States. Qualifying foreign trade property generally includes property that is held primarily for sale or lease for direct use or consumption outside the United States.

More detailed information regarding the exclusion is on Form 8873. The form and its separate instructions are available on the IRS web site at www.irs.gov/forms_pubs/forms.html.

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